



**Jackson County, Michigan**

**FINANCIAL STATEMENTS**

**For the Year Ended  
March 31, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# SPRING ARBOR TOWNSHIP

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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



## **INDEPENDENT AUDITORS' REPORT**

September 26, 2008

Board of Trustees  
Township of Spring Arbor  
Spring Arbor, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Spring Arbor Township, Michigan***, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spring Arbor Township, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and each major special revenue fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has elected not to present Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spring Arbor Township's basic financial statements. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Spring Arbor Township**  
**Statement of Net Assets**  
**March 31, 2008**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 213,676	\$ 102,761	\$ 316,437
Investments	773,070	1,249,598	2,022,668
Receivables, net	172,621	362,092	534,713
Capital assets not being depreciated	431,846	230,146	661,992
Capital assets being depreciated, net	2,368,423	4,855,247	7,223,670
	<hr/>	<hr/>	<hr/>
Total assets	3,959,636	6,799,844	10,759,480
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
Accounts payable and accrued expenses	6,855	100,933	107,788
Long-term liabilities:			
Due in one year	3,368	25,000	28,368
Due in more than one year	47,182	405,000	452,182
	<hr/>	<hr/>	<hr/>
Total liabilities	57,405	530,933	588,338
	<hr/>	<hr/>	<hr/>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,749,719	4,655,393	7,405,112
Restricted for:			
Fire millage	609,094	-	609,094
Other purposes	93,631	-	93,631
Unrestricted	449,787	1,613,518	2,063,305
	<hr/>	<hr/>	<hr/>
Total net assets	<u>\$ 3,902,231</u>	<u>\$ 6,268,911</u>	<u>\$ 10,171,142</u>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Statement of Activities**  
**For the Year Ended March 31, 2008**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 87,634	\$ -	\$ -	\$ -	\$ (87,634)
General government	421,509	167,978	133,559	-	(119,972)
Public safety	576,056	225	21,137	-	(554,694)
Public works	48,398	14,974	13,081	-	(20,343)
Recreation and culture	85,719	5,195	1,344	-	(79,180)
Interest on long-term debt	2,138	-	-	-	(2,138)
Total governmental activities	<u>1,221,454</u>	<u>188,372</u>	<u>169,121</u>	<u>-</u>	<u>(863,961)</u>
Business-type activities:					
Sewer	760,059	488,640	67,444	-	(203,975)
Water	283,387	200,489	31,885	-	(51,013)
Total business-type activities	<u>1,043,446</u>	<u>689,129</u>	<u>99,329</u>	<u>-</u>	<u>(254,988)</u>
Total primary government	<u>\$ 2,264,900</u>	<u>\$ 877,501</u>	<u>\$ 268,450</u>	<u>\$ -</u>	<u>\$ (1,118,949)</u>

continued...



**Spring Arbor Township**  
**Statement of Activities (Concluded)**  
**For the Year Ended March 31, 2008**

<b>Functions/Programs</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Changes in net assets</b>			
Net (expense) revenue	\$ (863,961)	\$ (254,988)	\$ (1,118,949)
General revenues:			
Property taxes	414,529	-	414,529
State shared revenue	521,453	-	521,453
Unrestricted investment earnings	14,458	-	14,458
Total general revenues and contributions	950,440	-	950,440
Change in net assets	86,479	(254,988)	(168,509)
Net assets, beginning of year	3,815,752	6,523,899	10,339,651
<b>Net assets, end of year</b>	<b>\$ 3,902,231</b>	<b>\$ 6,268,911</b>	<b>\$ 10,171,142</b>

The accompanying notes are an integral part of these financial statements.

# **FUND FINANCIAL STATEMENTS**

**Spring Arbor Township  
Balance Sheet  
Governmental Funds  
March 31, 2008**

	<u>General</u>	<u>Fire Millage</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 115,979	\$ 77,965	\$ 19,732	\$ 213,676
Investments	158,845	524,755	89,470	773,070
Accounts receivable	3,734	-	-	3,734
Interfund receivable	17,891	-	-	17,891
Taxes receivable	12,952	11,308	-	24,260
Special assessments receivable	-	-	2,326	2,326
Due from other governments	142,260	-	-	142,260
Interest receivable	41	-	-	41
	<u>41</u>	<u>-</u>	<u>-</u>	<u>41</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 451,702</u>	<u>\$ 614,028</u>	<u>\$ 111,528</u>	<u>\$ 1,177,258</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Interfund payable	\$ -	\$ -	\$ 17,891	\$ 17,891
Accounts payable	1,915	4,934	6	6,855
	<u>1,915</u>	<u>4,934</u>	<u>6</u>	<u>6,855</u>
Total liabilities	<u>1,915</u>	<u>4,934</u>	<u>17,897</u>	<u>24,746</u>
<b>Fund balances</b>				
Unreserved, undesignated	449,787	609,094	-	1,058,881
Unreserved, undesignated - reported in nonmajor special revenue funds	-	-	93,631	93,631
	<u>-</u>	<u>-</u>	<u>93,631</u>	<u>93,631</u>
Total fund balances	<u>449,787</u>	<u>609,094</u>	<u>93,631</u>	<u>1,152,512</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 451,702</u>	<u>\$ 614,028</u>	<u>\$ 111,528</u>	<u>\$ 1,177,258</u>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**March 31, 2008**

Fund balances - total governmental funds	\$ 1,152,512
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	4,761,226
Deduct: accumulated depreciation	(1,960,957)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: installment purchase contract payable	<u>(50,550)</u>
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Net assets of governmental activities	<u><u>\$ 3,902,231</u></u>
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The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended March 31, 2008**

	<u>General</u>	<u>Fire Millage</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenue</b>				
Taxes	\$ 173,438	\$ 196,914	\$ -	\$ 370,352
Special assessments	-	-	44,177	44,177
Licenses and permits	1,229	-	37,892	39,121
State shared revenue	521,453	-	-	521,453
Contributions	1,800	-	5,149	6,949
Interest and other revenue	297,783	18,837	9,261	325,881
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	995,703	215,751	96,479	1,307,933
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Legislative	85,717	-	-	85,717
General government	326,142	-	41,122	367,264
Public safety	204,674	296,432	-	501,106
Public works	903	-	42,977	43,880
Recreation and culture	60,994	-	2,531	63,525
Debt service:				
Principal	-	-	3,239	3,239
Interest	-	-	2,138	2,138
Capital outlay	-	109,694	12,647	122,341
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	678,430	406,126	104,654	1,189,210
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	317,273	(190,375)	(8,175)	118,723
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Transfers in	-	253,899	34,475	288,374
Transfers (out)	(288,374)	-	-	(288,374)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(288,374)	253,899	34,475	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	28,899	63,524	26,300	118,723
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	420,888	545,570	67,331	1,033,789
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balances, end of year</b>	<u><u>\$ 449,787</u></u>	<u><u>\$ 609,094</u></u>	<u><u>\$ 93,631</u></u>	<u><u>\$ 1,152,512</u></u>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended March 31, 2008**

Net change in fund balances - total governmental funds	\$ 118,723
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	132,856
Deduct: depreciation expense	(168,339)

Long-term debt proceeds provide current financial resources to governmental funds in the period issued, but issuing long-term debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	<u>3,239</u>
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Change in net assets of governmental activities	<u><u>\$ 86,479</u></u>
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The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Statement of Revenue, Expenditures, and Changes**  
**in Fund Balance - Amended Budget and Actual**  
**General Fund**  
**For the Year Ended March 31, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenue</b>				
Taxes:				
Current property taxes	\$ 160,800	\$ 160,800	\$ 159,962	\$ (838)
Delinquent property taxes	10,000	10,000	13,147	3,147
Unpaid personal property taxes	500	500	329	(171)
Total taxes	<u>171,300</u>	<u>171,300</u>	<u>173,438</u>	<u>2,138</u>
Licenses and permits:				
Business licenses	300	300	5	(295)
Trailer permits	1,400	1,400	1,224	(176)
Total licenses and permits	<u>1,700</u>	<u>1,700</u>	<u>1,229</u>	<u>(471)</u>
State shared revenue:				
M-60 Task Force grant	-	-	2,324	2,324
Liquor licenses	1,200	1,200	1,049	(151)
Sales tax	<u>524,000</u>	<u>524,000</u>	<u>518,080</u>	<u>(5,920)</u>
Total state shared revenue	<u>525,200</u>	<u>525,200</u>	<u>521,453</u>	<u>(3,747)</u>
Contributions	<u>-</u>	<u>-</u>	<u>1,800</u>	<u>1,800</u>
Other revenue:				
Service fees	9,000	9,000	6,623	(2,377)
Tax collection service fees	79,000	79,000	75,350	(3,650)
Rental fees	100	100	80	(20)
Land division fees	500	500	225	(275)
Administrative charges:				
Sewer	23,000	23,000	10,901	(12,099)
Water	10,000	10,000	3,895	(6,105)
Building cost allocations	12,000	12,000	-	(12,000)
Private road maintenance	200	200	178	(22)
Cemetery foundations	5,000	5,000	3,391	(1,609)
Grave openings	22,500	22,500	17,800	(4,700)
Cemetery lot sales	6,000	6,000	7,800	1,800
Park user fees	200	200	30	(170)
Senior Center user fees	4,000	4,000	5,165	1,165
Parking fines	100	100	90	(10)
Fines and forfeits	10,500	10,500	6,623	(3,877)
Property rental	10,800	10,800	11,100	300
Cable TV royalties	50,000	58,000	60,002	2,002
Reimbursements	11,400	11,400	72,004	60,604
Interest and other revenue	<u>16,500</u>	<u>20,700</u>	<u>16,526</u>	<u>(4,174)</u>
Total other revenue	<u>270,800</u>	<u>283,000</u>	<u>297,783</u>	<u>14,783</u>
Total revenue	<u>969,000</u>	<u>981,200</u>	<u>995,703</u>	<u>14,503</u>

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**Spring Arbor Township**  
**Statement of Revenue, Expenditures, and Changes**  
**in Fund Balance - Amended Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended March 31, 2008**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Expenditures</b>				
Legislative	\$ 42,666	\$ 40,966	\$ 85,717	\$ 44,751
General Government:				
Township Supervisor	56,073	57,373	56,322	(1,051)
Elections	6,400	7,400	7,358	(42)
Assessor	56,081	56,981	56,299	(682)
Township Clerk	64,380	64,880	63,333	(1,547)
General Office	19,986	19,986	13,364	(6,622)
Board of Review	1,995	1,995	1,586	(409)
Treasurer	62,780	62,780	55,757	(7,023)
Township Hall	16,532	16,532	15,518	(1,014)
Post Office	2,425	2,425	1,859	(566)
Maintenance Building	1,550	3,050	2,605	(445)
Township Property	12,385	17,685	17,142	(543)
Cemetery	44,682	44,682	34,999	(9,683)
Total general government	<u>345,269</u>	<u>355,769</u>	<u>326,142</u>	<u>(29,627)</u>
Public Safety:				
Police	195,803	195,803	182,389	(13,414)
Communications	890	1,190	878	(312)
Planning Commission	20,910	24,010	20,064	(3,946)
Zoning Board of Appeals	970	970	1,168	198
Township Street Lights	300	300	175	(125)
Total public safety	<u>218,873</u>	<u>222,273</u>	<u>204,674</u>	<u>(17,599)</u>
Public Works:				
Streets and Roads	800	800	725	(75)
Private Streets and Roads	200	200	178	(22)
Total public works	<u>1,000</u>	<u>1,000</u>	<u>903</u>	<u>(97)</u>
Recreational and Cultural:				
Gallagher Park	29,277	29,277	24,601	(4,676)
Senior Center	41,149	41,149	36,393	(4,756)
Total recreational and cultural	<u>70,426</u>	<u>70,426</u>	<u>60,994</u>	<u>(9,432)</u>
Total expenditures	<u>678,234</u>	<u>690,434</u>	<u>678,430</u>	<u>(12,004)</u>
Revenue over expenditures	290,766	290,766	317,273	26,507
<b>Other financing uses</b>				
Transfers out	<u>(288,374)</u>	<u>(288,374)</u>	<u>(288,374)</u>	<u>-</u>
Net change in fund balances	2,392	2,392	28,899	26,507
Fund balance, beginning of year	<u>420,888</u>	<u>420,888</u>	<u>420,888</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 423,280</u>	<u>\$ 423,280</u>	<u>\$ 449,787</u>	<u>\$ 26,507</u>

The accompanying notes are an integral part of these financial statements.



**Spring Arbor Township  
Statement of Revenue, Expenditures,  
and Changes in Fund Balance - Amended Budget and Actual  
Fire Millage Special Revenue Fund  
For the Year Ended March 31, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>				
Property taxes	\$ 200,520	\$ 200,520	\$ 196,914	\$ (3,606)
Interest revenue	12,000	12,000	18,837	6,837
Total revenue	212,520	212,520	215,751	3,231
<b>Expenditures</b>				
Public safety	301,016	301,016	296,432	(4,584)
Capital outlay	115,300	115,300	109,694	(5,606)
Total expenditures	416,316	416,316	406,126	(10,190)
Revenue (under) expenditures	(203,796)	(203,796)	(190,375)	13,421
<b>Other financing sources</b>				
Transfers in	253,899	253,899	253,899	-
Net change in fund balance	50,103	50,103	63,524	13,421
Fund balance, beginning of year	545,570	545,570	545,570	-
<b>Fund balance, end of year</b>	<u>\$ 595,673</u>	<u>\$ 595,673</u>	<u>\$ 609,094</u>	<u>\$ 13,421</u>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township  
Statement of Net Assets  
Enterprise Funds  
March 31, 2008**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Totals</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 36,376	\$ 66,385	\$ 102,761
Investments	982,767	266,831	1,249,598
Receivables:			
Special assessments	-	320,293	320,293
User fees	28,646	5,414	34,060
Interest	840	-	840
Delinquent user and connection fees	4,987	1,712	6,699
Total current assets	<u>1,053,616</u>	<u>660,635</u>	<u>1,714,251</u>
Noncurrent assets:			
Accounts receivable - connection fees	-	200	200
Capital assets, net	<u>2,741,359</u>	<u>2,344,034</u>	<u>5,085,393</u>
Total noncurrent assets	<u>2,741,359</u>	<u>2,344,234</u>	<u>5,085,593</u>
Total assets	<u>3,794,975</u>	<u>3,004,869</u>	<u>6,799,844</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	100,932	1	100,933
Bonds payable - current portion	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total current liabilities	<u>100,932</u>	<u>25,001</u>	<u>125,933</u>
Long-term debt			
Bonds payable - net of current portion	<u>-</u>	<u>405,000</u>	<u>405,000</u>
Total liabilities	<u>100,932</u>	<u>430,001</u>	<u>530,933</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,741,359	1,914,034	4,655,393
Unrestricted	<u>952,684</u>	<u>660,834</u>	<u>1,613,518</u>
<b>Total net assets</b>	<u><u>\$ 3,694,043</u></u>	<u><u>\$ 2,574,868</u></u>	<u><u>\$ 6,268,911</u></u>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Statement of Revenue, Expenses and**  
**Changes in Net Assets**  
**Enterprise Funds**  
**For the Year Ended March 31, 2008**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b>Operating revenue</b>			
Connection fees	\$ 29,500	\$ 41,035	\$ 70,535
User fees	459,140	155,676	614,816
Penalties	10,227	3,778	14,005
Other	3,241	-	3,241
	<hr/>	<hr/>	<hr/>
Total operating revenue	502,108	200,489	702,597
	<hr/>	<hr/>	<hr/>
<b>Operating expenses</b>			
Administrative fees	15,396	6,713	22,109
Pension	942	-	942
Office expenses	3,280	521	3,801
Professional services	6,993	5,408	12,401
Insurance and bonds	9,416	1,443	10,859
Utilities	59,374	246	59,620
Water usage	-	138,205	138,205
Treatment charges	275,324	-	275,324
Maintenance	202,193	466	202,659
Depreciation	186,053	71,112	257,165
Other	1,050	40,285	41,335
	<hr/>	<hr/>	<hr/>
Total operating expenses	760,021	264,399	1,024,420
	<hr/>	<hr/>	<hr/>
Operating loss	(257,913)	(63,910)	(321,823)
	<hr/>	<hr/>	<hr/>
<b>Nonoperating revenue (expense)</b>			
Interest revenue	53,976	31,885	85,861
Interest expense	(38)	(18,988)	(19,026)
	<hr/>	<hr/>	<hr/>
Total nonoperating revenue	53,938	12,897	66,835
	<hr/>	<hr/>	<hr/>
Change in net assets	(203,975)	(51,013)	(254,988)
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	3,898,018	2,625,881	6,523,899
	<hr/>	<hr/>	<hr/>
<b>Net assets, end of year</b>	<u>\$ 3,694,043</u>	<u>\$ 2,574,868</u>	<u>\$ 6,268,911</u>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended March 31, 2008**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Totals</u>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 486,784	\$ 199,323	\$ 686,107
Cash payments to suppliers for goods and services	<u>(526,114)</u>	<u>(193,704)</u>	<u>(719,818)</u>
Net cash provided (used) by operating activities	<u>(39,330)</u>	<u>5,619</u>	<u>(33,711)</u>
<b>Cash flows from capital and related financing activities</b>			
Principal payments on long-term debt	-	(25,000)	(25,000)
Interest payments on long-term debt	-	(18,988)	(18,988)
Collections on special assessments	-	23,818	23,818
Purchase of capital assets	<u>(202,161)</u>	<u>-</u>	<u>(202,161)</u>
Net cash used by capital and related financing activities	<u>(202,161)</u>	<u>(20,170)</u>	<u>(222,331)</u>
<b>Cash flows from investing activities</b>			
Interest received on investments	53,938	31,885	85,823
Purchase of investments	-	(4,951)	(4,951)
Sale of investments	<u>182,388</u>	<u>-</u>	<u>182,388</u>
Net cash provided by investing activities	<u>236,326</u>	<u>26,934</u>	<u>263,260</u>
Net increase (decrease) in cash and cash equivalents	(5,165)	12,383	7,218
Cash and cash equivalents, beginning of year	<u>41,541</u>	<u>54,002</u>	<u>95,543</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 36,376</u></u>	<u><u>\$ 66,385</u></u>	<u><u>\$ 102,761</u></u>

continued...

**Spring Arbor Township**  
**Statement of Cash Flows**  
**Enterprise Funds (Concluded)**  
**For the Year Ended March 31, 2008**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (257,913)	\$ (63,910)	\$ (321,823)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	186,053	71,112	257,165
Changes in assets and liabilities:			
Receivables	(15,324)	(1,166)	(16,490)
Accounts payable	47,854	(417)	47,437
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (39,330)</u></u>	<u><u>\$ 5,619</u></u>	<u><u>\$ (33,711)</u></u>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township  
Statement of Fiduciary Net Assets  
Tax Collection Agency Fund  
March 31, 2008**

**ASSETS**

**Assets**

Cash and cash equivalents

\$ 12

**LIABILITIES**

**Liabilities**

Due to other governments

\$ 12

The accompanying notes are an integral part of these financial statements.

## **NOTES to the FINANCIAL STATEMENTS**

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Spring Arbor Township (the “government” or “Township”) is a municipal corporation governed by an elected supervisor and a six-member board. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the respective fund financial statements.



# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *fire millage special revenue fund* accounts for the collection of property taxes and expenditures related to the extra voted fire millage.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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The government reports the following major proprietary funds:

The *sewer enterprise fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water enterprise fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the government reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including capital projects or permanent funds.

The *agency fund* accounts for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### **D. Assets, liabilities and net assets/equity**

#### **1. *Deposits and investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

#### **2. *Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### **3. *Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$100 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
System infrastructure	30-50
Vehicles	3-30
Equipment	5-15

#### ***4. Compensated absences***

Annually, the Township grants one week of paid vacation after six months of employment, two weeks after one year employment, three weeks after five years employment, and four weeks after ten years employment. Employees are entitled to one sick day per month, cumulative to fifteen days. Vacation and sick days cannot be carried over and, therefore, are not accrued in the accompanying financial statements.

#### ***5. Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

#### ***6. Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

Annual budgets are adopted for all governmental fund types each fiscal year on a basis consistent with generally accepted accounting principles. The government's final budget must be prepared and adopted prior to April 1st of each year.

Reported budgeted amounts are as originally adopted or as amended by the Township Board. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

#### B. Excess of expenditures over appropriations

P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2008, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund:</b>			
Legislative	\$ 40,966	\$ 85,717	\$ 44,751
Public safety - Zoning Board of Appeals	970	1,168	198

#### C. Deficit fund balance

The Building Inspection Department special revenue fund reported a fund balance deficit of \$17,897 as of March 31, 2008. This deficit will be eliminated by increasing building permit prices.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

**Statement of net assets:**

Cash and cash equivalents	\$ 316,437
Investments	2,022,668

**Statement of fiduciary net assets -**

Cash and cash equivalents	<u>12</u>
	<u><b>\$ 2,339,117</b></u>

**Classification of deposit and investments:**

Bank deposits (checking, savings and CDs)	\$ 1,315,849
Investments	1,022,668
Cash on hand	<u>600</u>

**\$ 2,339,117**

#### Investments

The Township chooses to disclose its investments by specifically identifying each. As of year end, the Township had the following investments:

<u>Investment</u>	<u>Maturing</u>	<u>Fair Value</u>	<u>Rating</u>
Governmental cash management fund	n/a	\$ 1,022,668	n/a

#### Deposit and investment risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and external investment pools as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township had no investments that required credit risk ratings at year end.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$262,439 of the Township's bank balance of \$1,373,117 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk. All investments are held in the name of the Township; as such, those investments are not exposed to custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

### B. Receivables

Receivables as of year end are as follows:

	General Fund	Fire Millage Special Revenue Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund	Water Enterprise Fund	Total
Accounts receivable	\$ 3,734	\$ -	\$ -	\$ -	\$ -	\$ 3,734
Taxes receivable	12,952	11,308	-	-	-	24,260
Special assessments receivable	-	-	2,326	-	320,293	322,619
Due from other governments	142,260	-	-	-	-	142,260
Interest receivable	41	-	-	840	-	881
User fees receivable	-	-	-	28,646	5,414	34,060
Delinquent user and connection fees	-	-	-	4,987	1,712	6,699
Connection fees receivable	-	-	-	-	200	200
	<u>\$ 158,987</u>	<u>\$ 11,308</u>	<u>\$ 2,326</u>	<u>\$ 34,473</u>	<u>\$ 327,619</u>	<u>\$ 534,713</u>

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

### C. Capital assets

Capital assets activity for the year ended March 31, 2008, was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Governmental activities</b>				
Capital assets not being depreciated - land	<u>\$ 431,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,846</u>
Capital assets being depreciated:				
Land improvements	261,752	-	-	261,752
Building and improvements	1,811,535	-	-	1,811,535
Furniture and equipment	906,129	132,856	-	1,038,985
Vehicles	<u>1,217,108</u>	<u>-</u>	<u>-</u>	<u>1,217,108</u>
Total capital assets being depreciated	<u>4,196,524</u>	<u>132,856</u>	<u>-</u>	<u>4,329,380</u>
Less accumulated depreciation for:				
Land improvements	97,168	7,278	-	104,446
Building and improvements	776,597	36,833	-	813,430
Furniture and equipment	453,286	65,843	-	519,129
Vehicles	<u>465,567</u>	<u>58,385</u>	<u>-</u>	<u>523,952</u>
Total accumulated depreciation	<u>1,792,618</u>	<u>168,339</u>	<u>-</u>	<u>1,960,957</u>
Total capital assets being depreciated, net	<u>2,403,906</u>	<u>(35,483)</u>	<u>-</u>	<u>2,368,423</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 2,835,752</u></b>	<b><u>\$ (35,483)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,800,269</u></b>



# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 39,098	\$ -	\$ -	\$ 39,098
Construction in progress	<u>-</u>	<u>191,048</u>	<u>-</u>	<u>191,048</u>
Total capital assets not being depreciated	<u>39,098</u>	<u>191,048</u>	<u>-</u>	<u>230,146</u>
Capital assets being depreciated:				
Sewer plant	6,320,474	-	-	6,320,474
Water plant	3,241,957	-	-	3,241,957
Equipment	<u>371,229</u>	<u>11,113</u>	<u>-</u>	<u>382,342</u>
Total capital assets being depreciated	<u>9,933,660</u>	<u>11,113</u>	<u>-</u>	<u>9,944,773</u>
Less accumulated depreciation for:				
Sewer plant	3,868,173	158,907	-	4,027,080
Water plant	839,265	71,112	-	910,377
Equipment	<u>124,923</u>	<u>27,146</u>	<u>-</u>	<u>152,069</u>
Total accumulated depreciation	<u>4,832,361</u>	<u>257,165</u>	<u>-</u>	<u>5,089,526</u>
Total capital assets being depreciated, net	<u>5,101,299</u>	<u>(246,052)</u>	<u>-</u>	<u>4,855,247</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 5,140,397</u></b>	<b><u>\$ (55,004)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,085,393</u></b>

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

Legislative	\$ 1,917
General government	65,096
Public safety	87,261
Recreation and culture	<u>14,065</u>

**Total depreciation expense - governmental activities** **\$ 168,339**

**Business-type activities:**

Sewer	\$ 186,053
Water	<u>71,112</u>

**Total depreciation expense – business-type activities** **\$ 257,165**

**D. Payables**

Payables (governmental and business-type activities) are 100 percent vendors.

**E. Long-term debt**

*Installment Purchase Agreement.* The government used an installment purchase agreement to provide funds in the amount of \$59,900 for the acquisition of Harmony Park. This installment purchase agreement is expected to be repaid from the Public Improvement special revenue fund. Repayment is due in six annual installments of \$5,380 (including interest), with a final balloon payment of \$41,631 in the seventh year.

Annual debt service requirements to maturity for the purchase agreement are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 3,368	\$ 2,012	\$ 5,380
2010	3,502	1,878	5,380
2011	3,642	1,738	5,380
2012	40,038	1,593	41,631
	<u><b>\$ 50,550</b></u>	<u><b>\$ 7,221</b></u>	<u><b>\$ 57,771</b></u>

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

*General Obligation Bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for proprietary activities. These bonds are reported in the proprietary funds because they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water construction projects	3.50 - 4.75%	<u><u>\$ 430,000</u></u>

The water supply facilities bond payable is equal to the aggregate outstanding principal and interest payments due on the County of Jackson Water Supply Facilities Bonds (Spring Arbor Township Section). Those bonds were issued to finance the construction of the water supply facilities, which was managed and administered by the Jackson County Department of Public Works under contract with the Township. The cost of the system is capitalized in the Township's Water Enterprise Fund, which is financing the debt service payments through usage fees and special assessments.

Annual debt service requirements to maturity for the bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 25,000	\$ 17,887	\$ 42,887
2010	25,000	17,000	42,000
2011	25,000	16,100	41,100
2012	25,000	15,175	40,175
2013	25,000	14,237	39,237
2014-2018	125,000	56,337	181,337
2019-2023	125,000	30,001	155,001
2024-2025	55,000	4,038	59,038
	<u><u>\$ 430,000</u></u>	<u><u>\$ 170,775</u></u>	<u><u>\$ 600,775</u></u>

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

*Changes in Long-Term Debt.* Long-term liability activity for the year ended March 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities - Installment purchase agreement	<u>\$ 53,789</u>	<u>\$ -</u>	<u>\$ 3,239</u>	<u>\$ 50,550</u>	<u>\$ 3,368</u>
Business-type activities - General obligation bonds	<u>\$ 455,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 430,000</u>	<u>\$ 25,000</u>

### F. Interfund receivables, payables and transfers

For the year ended March 31, 2008, there was a payable due to the general fund from the building inspection department fund in the amount of \$17,891. This was created to eliminate the negative cash balance in the building inspection fund.

For the year ended March 31, 2008, interfund transfers out of the general fund consisted of transfers to the following special revenue funds:

Fire Millage	\$ 253,899
Public Improvement	<u>34,475</u>
	<u><u>\$ 288,374</u></u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### IV. OTHER INFORMATION

#### A. Property taxes

Real and personal property taxes are recorded as revenue in the year for which they are levied, provided they are collectible during that year or within 60 days following that year's end. Property tax revenues shown in the General Fund and Fire Millage Special Revenue Fund reflect the 2007 Township levies of 0.8668 mills and 1.0145 mills, respectively, on the taxable valuation of property located in the Township as of the preceding December 31. Taxable values are established annually by the County and are equalized by the State at an estimated 50% of current market value or \$196,195,805. The 2007 levy became a lien on properties on December 1, 2007, and was substantially collected in early 2008. Taxes became delinquent on March 1, 2008.

#### B. Defined Contribution Pension Plan

The Spring Arbor Township Pension Plan provides pension benefits for all Township Officials and all other employees who work at least twenty hours per week on a regular basis, and who choose to belong to the plan. This benefit is a bank trust type plan administered by a Pension Committee under the provisions of Section 401(a) of the Internal Revenue Code. Plan provisions and contribution requirements are established and may be amended by the Township Board. The plan is held and administered by John Hancock.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's accounts and the returns on the investments of those contributions.

As amended effective April 1, 1986, the Township may, but is not required to, make a "discretionary contribution" for a plan year to the accounts of all eligible participants. The amount of the contribution is based upon participant compensation for the plan year.

There were 10 members in the plan at March 31, 2008. Contributions to the pension fund by the Township were \$27,219, which is 9% of covered payroll.

\* \* \* \* \*

**COMBINING FUND FINANCIAL  
STATEMENTS**

**Spring Arbor Township  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2008**

	<b>Special Revenue Funds</b>				<b>Total Nonmajor Governmental Funds</b>
	<b>Street Light Fund</b>	<b>Public Improvement</b>	<b>Building Inspection Department</b>	<b>Historical Committee</b>	
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 19,732	\$ -	\$ -	\$ -	\$ 19,732
Investments	-	58,672	-	30,798	89,470
Special assessments receivable	2,326	-	-	-	2,326
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 22,058</u></b>	<b><u>\$ 58,672</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 30,798</u></b>	<b><u>\$ 111,528</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Interfund payable	\$ -	-	\$ 17,891	\$ -	\$ 17,891
Accounts payable	-	-	6	-	6
Total liabilities	-	-	17,897	-	17,897
<b>Fund balances (deficit)</b>					
Unreserved, undesignated	22,058	58,672	(17,897)	30,798	93,631
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 22,058</u></b>	<b><u>\$ 58,672</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 30,798</u></b>	<b><u>\$ 111,528</u></b>

**Spring Arbor Township**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended March 31, 2008**

	<b>Special Revenue Funds</b>				<b>Total Nonmajor Governmental Funds</b>
	<b>Street Light Fund</b>	<b>Public Improvement</b>	<b>Building Inspection Department</b>	<b>Historical Committee</b>	
<b>Revenue</b>					
Current special assessments	\$ 41,851	\$ -	\$ -	\$ -	\$ 41,851
Delinquent special assessments	2,326	-	-	-	2,326
Licenses and permits	-	-	37,892	-	37,892
Contributions	-	5,149	-	-	5,149
Interest and other revenue	-	7,932	-	1,329	9,261
Total revenue	44,177	13,081	37,892	1,329	96,479
<b>Expenditures</b>					
Current:					
General government	-	-	41,122	-	41,122
Public works	42,977	-	-	-	42,977
Recreation and culture	-	-	-	2,531	2,531
Debt service:					
Principal	-	3,239	-	-	3,239
Interest	-	2,138	-	-	2,138
Capital outlay	-	12,647	-	-	12,647
Total expenditures	42,977	18,024	41,122	2,531	104,654
Revenue over (under) expenditures	1,200	(4,943)	(3,230)	(1,202)	(8,175)
<b>Other financing sources</b>					
Transfers in	-	34,475	-	-	34,475
Net change in fund balances	1,200	29,532	(3,230)	(1,202)	26,300
Fund balance (deficit), beginning of year	20,858	29,140	(14,667)	32,000	67,331
<b>Fund balance (deficit), end of year</b>	<u>\$ 22,058</u>	<u>\$ 58,672</u>	<u>\$ (17,897)</u>	<u>\$ 30,798</u>	<u>\$ 93,631</u>





# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



September 26, 2008

To the Board of Trustees  
Spring Arbor Township

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Spring Arbor Township* (the "Township") for the year ended March 31, 2008, and have issued our report thereon dated September 26, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated April 30, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the *Township*. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 21, 2008.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Accounts payable was overstated in various funds by approximately \$57,000
- Reimbursement revenue and professional services expenditures were understated in the general fund by approximately \$59,000

- Capital assets were understated and expenses were overstated in the sewer enterprise fund by approximately \$9,200

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 26, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of *Spring Arbor Township* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned below the "Very truly yours," text.

# **Spring Arbor Township**

## **Comments and Recommendations**

**For the Year Ended March 31, 2008**

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In planning and performing our audit of the financial statements of the Spring Arbor Township (the "Township") as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies, as described below, to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

### **Significant Deficiencies**

### **Audit Adjustments**

**Criteria.** The government is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

**Condition.** During our fieldwork, numerous adjusting journal entries were needed in order to create a reasonably adjusted trial balance, all of which we found to be significant entries. These included entries needed for the following:

## Spring Arbor Township

### Comments and Recommendations (Continued)

For the Year Ended March 31, 2008

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- To adjust accounts payable to actual in various funds
- To properly record the activity related the stormwater project
- To capitalize certain amounts that had been expensed in the business-type activities

**Cause.** Internal controls did not detect all adjustments necessary to properly record year-end balances.

**Effect.** As a result of this condition, the government is not able to produce accurate financial information.

**View of Responsible Officials.** The Township will ensure that all general ledger accounts reconcile to their proper underlying balances during the next fiscal year.

#### **Preparation of Financial Statements in Accordance with GAAP**

**Criteria.** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting)

**Condition.** As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the government's internal controls.

**Cause.** Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in its best interest to outsource the preparation of its annual financial statements to the auditors rather than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

**Effect.** As a result of this condition, the government lacks *internal* controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its *external* auditors for assistance with this task.

## **Spring Arbor Township**

### **Comments and Recommendations (Continued)**

**For the Year Ended March 31, 2008**

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**View of Responsible Officials.** The Township has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

#### **Other Matters**

##### **Approval of Invoices**

According to the Michigan Department of Treasury, the Board must approve all invoices prior to payment, unless addressed otherwise in the charter. The legislative body may establish a formal policy to authorize payments *prior* to approval in order to avoid late charges and to pay appropriated amounts and payroll and other regular recurring bills (such as utilities, rent, etc.). The policy must be very limited, and a list of payments approved by the Board would be done after the fact. The Township Board is not presently approving invoices prior to payment.

##### **Approval of Payroll**

Currently, a particular employee has the ability to enter/change payroll data and is the individual responsible for preparing payroll. Once payroll is prepared and the checks are printed, a person independent of the payroll function reviews the payroll checks for reasonableness. As part of this procedure, a log is kept of the check numbers to ensure that all checks are accounted for. However, this individual does not review the payroll detail for those employees receiving direct deposit. In order to enhance internal controls in this area, we recommend that the Township implement a procedure in which someone independent of preparing payroll, and having access to other payroll data, reviews and approves the detail of those receiving their paychecks through direct deposit.

In addition to the review of the payroll output, we recommend that someone review what changes are being input to the payroll system (changes in salary and wage rates, etc). Some software applications have the ability to run reports which detail any changes made to the payroll master files. We recommend that the Township consult with their software company to see if an option like this is available to them. By having the ability to run this report monthly and having someone independent of the payroll input and output reviewing and approving this report internal controls in this area would be greatly strengthened.

# **Spring Arbor Township**

## **Comments and Recommendations (Concluded)**

**For the Year Ended March 31, 2008**

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### **Review of Capital Asset Records**

It was noted during this year's audit that capital asset records are not reviewed on a periodic basis by various departments in order to verify the existence of such assets. We recommend that the detailed capital asset records be reviewed at least annually to ensure that the Township is not carrying assets on their books that have been deleted or disposed of. In addition, currently the Township's capitalization threshold is \$100. This small amount leads to many assets having to be accounted for and depreciated. We recommend that the Township review this policy and possibly increase the threshold to capitalize assets.

### **Internal Controls – Segregation of Duties**

Last year we made a comment regarding separation or segregation of duties. Following are the specific matters that still existed as of this year's audit.

- Particular employees may physically receipt cash or checks and make bank deposits.
- Particular employees may handle cash receipts or disbursements and prepare bank reconciliations.
- Particular employees may initiate bank transfers and also prepare bank reconciliations
- Authorized bank accounts are not periodically approved by the governing board.
- Investment statements are not reconciled to the general ledger monthly by an individual not responsible for managing the investments.
- Not all purchases are supported by either a purchase order or check request, signed by an authorized individual not responsible for preparing checks.
- A check register is not reviewed by an authorized individual not responsible for preparing the checks before the checks are signed.
- Before running payroll checks, the payroll register is not reviewed and approved by an authorized individual not responsible for preparing the checks.

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